

Name \_\_\_\_\_ KEY \_\_\_\_\_ Period \_\_\_\_\_

**Value of Savings**

Directions: Complete the following questions.

**1. Why don't people save?**

- i. Average American saves less than 5% of their paycheck.
- ii. We want more
- iii. No future goals
- iv. Money doesn't earn a lot of interest
- v. Credit is easily available
- vi. Adequate job security

**2. Why should we save?**

- i. –Emergencies–recommended to have 3-6 months of salary
- ii. Expenses
- iii. Future Purchases
- iv. Investing
- v. Security
- vi. To reach financial goals
- vii. To have the option of taking advantage of unforeseen opportunities

**3. What are some ways you save money?**

- i. –Jar-every time you get a raise put that money in savings
- ii. –Have a purpose
- iii. –Go without (opportunity cost)

**4. What does pay yourself first take?**

It takes:

- 1- Commitment
- 2- Discipline
- 3- Delayed gratification

**5.Types of Savings Accounts**

Account	Description	Benefits	Trade-Offs
<b>Savings Account</b>	<ul style="list-style-type: none"> <li>▪ Simplest way to earn interest on small amount of money for future expenses, while keeping money readily accessible and earning interest on your money.</li> </ul>		
<b>Passbook</b>	<ul style="list-style-type: none"> <li>▪ Depositor receives a booklet in which deposits, withdrawals, and interest are recorded.</li> <li>▪ Average interest rate is lower at banks and savings and loans than at credit unions.</li> <li>▪ Funds are easily accessible</li> </ul>		
<b>Statement accounts</b>	<ul style="list-style-type: none"> <li>▪ Basically the same as a passbook account, except depositor receives monthly statements instead of a passbook.</li> <li>▪ Accounts are usually accessible through 24-hour automated teller machines (ATMs).</li> <li>▪ Interest rates are the same as passbook account.</li> <li>▪ Funds are easily accessible.</li> </ul>		
<b>Interest –</b>	<ul style="list-style-type: none"> <li>▪ Combines benefits of checking and</li> </ul>		

<b>Earning Checking Account</b>	<ul style="list-style-type: none"> <li>savings.</li> <li>▪ Depositor earns interest on any unused money in his/her account.</li> </ul>		
<b>Money-Market Deposit Account</b>	<ul style="list-style-type: none"> <li>▪ Acts like a checking account that pays interest</li> <li>▪ Checking/savings account.</li> <li>▪ Interest rate paid built on a complex structure that varies with size of balance and current level of market interest rates.</li> <li>▪ Can access your money from an ATM, a teller, or by writing up to three checks a month</li> </ul>	<p>Higher interest rates than regular savings accounts.</p> <p>Immediate access to your money.</p>	<p>Limited number of withdrawals each month.</p> <p>Limited number of checks can be written each month.</p> <p>Average yield (rate of return) higher than regular savings accounts.</p>
<b>Certificates of Deposit</b>	<ul style="list-style-type: none"> <li>▪ What they are and how they work – require you to keep your money in account for fixed period of time, five or more years. The longer the term, the larger the deposit, the higher the interest</li> <li>▪ Bank pays a fixed amount of interest for a fixed amount of money during a fixed amount of time.</li> </ul>	<p>Higher interest rate than regular savings account.</p> <p>No Risk.</p> <p>Simple.</p> <p>No fees.</p>	<p>Withdrawal penalty if cashed before expiration date.</p> <p>Restricted access to your money.</p>

## 6. Who Protects Savers?

### a. FDIC- Federal Depository Insurance Corporation

- Insures funds in a federally chartered bank up to \$100,000 per account.
- Created in 1933 to maintain public confidence and stability

### b. SAIF- Savings Association Insurance Fund

- Insures funds in a savings and loans institution up to \$100,000 per account.

### c. NCUA- National Credit Union Association

- Insures funds in a credit union up to \$100,000 per account.

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